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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 000803

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USDOC FOR 4212/ITA/MAC/CPD/CRUSNAK
DOE FOR CHARLES WASHINGTON
EUR ALSO FOR MATT BRYZA
SCA ALSO FOR STEVE MANN

E.O. 12958: DECL: 03/06/2017

TAGS: [ENRG](#) [EPET](#) [PREL](#) [TU](#) [IR](#)

SUBJECT: TURKEY-IRAN: ENERGY PARTNERS OR WARY NEIGHBORS?

REF: ANKARA 518

Classified By: AMBASSADOR ROSS WILSON FOR REASONS 1.5 (B AND D)

11. (C) SUMMARY: The Turkish press reports April 6 that the GOT is moving forward on energy cooperation with Iran, including investment in its upstream energy production. Ambassador delivered a strong warning on Iran to the Energy Minister last month, just after the visit of the Iranian Foreign Minister. GOT interlocutors have long told us that episodic energy discussions with Iran have been long and difficult, but claim that they are under intense pressure from European countries to allow for transit of Iranian gas. End Summary.

Press Report Trumpeting Turkey-Iran Energy Cooperation

12. (SBU) Business daily newspaper Referans reported that Iran and Turkey were close to agreement on an energy cooperation initiative which would contribute to Turkey's east-west energy transit. According to the article, this cooperation would involve establishment of a joint stock company to engage in oil and natural gas production in Iran. The company would carry Iranian crude oil to Ceyhan, carry out marketing and transit of Iranian natural gas, and build three gas-fired power plants in Iran. The article cited the visit of Iranian Foreign Minister Mottaki to Turkey in February, noting that the Iranians reacted positively to the reported GOT offer to create a 50-50 joint stock company. According to the article, the EU has strongly pushed natural gas cooperation with Iran. Alongside the article, Referans commentator Erdal Saglam wrote that the U.S. was aware of Turkish plans to deepen energy cooperation with Iran. He quotes an anonymous Energy Ministry official saying that the fact that the U.S. does not make statements against the projects shows that Washington backs the initiative.

13. (C) However, warning Turkey of the consequences of making any such deals with Iran has been a constant theme of our energy diplomacy. Most recently, Ambassador gave a strong

warning in his meeting with Energy Minister Hilmi Guler (March 6 - Reftel), underscoring USG and UNSC sanctions on Iran, including ISA. Moreover, he stressed that an Iranian undertaking with Turkey on gas could kill the TCP (trans-Caspian Pipeline) and effectively insure that Turkmen gas does not reach Turkey or Europe.

But Reality is Likely Less

14. (C) Despite large Turkish energy imports from Iran, Iran has long proven an unreliable partner for Turkey, especially for gas, and the details of any new arrangements will be difficult to nail down without having fixed the gas pricing issues over which earlier efforts to improve energy relations have faltered. Mottaki's apparent agreement on the joint stock company surprised Turkish officials since Oil Minister Hamadeh had earlier rejected such an arrangement out of hand.

MFA Deputy Director General Vural Altay told us March 30 he was not aware of any specific plans for the follow-up visit of Hamadeh to Mottaki's February visit. Nevertheless, BOTAS Strategic Planning Department Head Cenk Pala told us the Energy Ministry (MENR) is working on the basis of the Mottaki discussions, stressing that there is no agreement in writing.

Pala guessed that the press reports were leaks of MENR planning discussions, noting that the timing and intent of the leak is otherwise unclear. He stressed that Turkey could not shut any doors to key neighbors, but he said that the timing was clearly not suitable for advancing energy negotiations with Iran. Pala surmised that there were people at MENR who supported advancing state oil company TPAO's potential discussions about cooperation in the Iranian energy

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sector.

Comment

15. (C) Our GOT interlocutors have long stressed that they are under intense pressure from both Iran and Europe and they can only hold out so long. EU diplomats here resentfully attribute a U.S. veto to holding up potential inclusion of Iranian gas in the proposed Nabucco pipeline. We will continue to express unequivocal and strong public and private warnings on the legal and policy consequences of investment in Iran's energy sector.

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WILSON